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Memorandum of Conversation

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SUBJECT: Volta River Project

PARTICIPANTS: Mr. D. A. Chapman, Ambassador of Ghana
Dr. A. Nikoi, Second Secretary, Embassy of Ghana
The Acting Secretary, C. Douglas Dillon
Mr. C. Vaughan Ferguson, Jr., ED Director
Mr. George R. Kenney, ED
Mr. Eugene L. Padberg, Jr., AFS

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After being welcomed by the Acting Secretary, Ambassador Chapman expressed the gratitude of his Government for the interest the United States Government has shown in the Volta River Project. Ambassador Chapman conveyed his Government's thanks for the United States sharing the cost of the Reassessment Report and for the article published in the Foreign Commerce Weekly with regard to the Reassessment Report and the possibilities for United States industries utilizing power that might be generated from the Volta River.

His main purpose in calling today, Ambassador Chapman said, was to seek the assistance of the United States in working out a plan for financing the Volta Project. In this connection, he said, a number of questions have arisen in Ghana as a result of its discussions with various aluminum companies. Ghana's main problem today is what it can tell the aluminum companies will be the cost of power. This in turn raises the question of what comes first, the chicken or the egg, inasmuch as the aluminum companies do not desire to make a specific proposal to the Government of Ghana before they know what the rate for power will be. The Acting Secretary inquired whether Ghana could not estimate the cost of power on the basis of the Kaiser report. Ambassador Chapman pointed out it is difficult to determine the cost of power until approximate interest rates and other loan terms are known. If the project is to be partly financed by direct loans and partly by grants Ghana would want to know the rate of interest of these loans. Ghana, he said, does not want to subsidize the sale of electricity and in establishing a power rate it would want to provide for servicing and amortization of the loans. Ambassador Chapman then mentioned that Ghana intends to finance the Volta Project from foreign sources and its own resources, with Ghana putting up

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$53 million and $127 million to be sought from foreign sources. It was with these problems in mind Mr. Chapman said Prime Minister Nkrumah addressed his letter to Ambassador Flake.

The Acting Secretary indicated a reply to Prime Minister Nkrumah's letter would be delivered to him upon his return to Ghana on May 12. He referred to Nkrumah's two requests in the penultimate paragraph of the letter and outlined the activities of the United States with regard thereto. He mentioned that the United States considered it essential to have the aluminum project tied in with the Volta Project. On the basis of Ambassador Chapman's presentation today the Acting Secretary stated the United States understood Ghana's problem more clearly; in other words, Ghana wanted to know how financing could be arranged so it could establish, within fairly close limits, a price for power to be furnished the aluminum companies. The Acting Secretary inquired as to the status of Ghana's talks with the World Bank. Mr. Chapman was not able to answer this question. The Acting Secretary then pointed out that in similar situations where projects are too large for any one country to finance, talks with the IBRD have been most helpful, have served as a focal point and the IBRD has worked closely with the country concerned, as in the case of India.

The Acting Secretary said DLF financing would be available. The usual rate he said is 3½ percent. Repayment on dam projects generally run between 15 to 20 years, with repayment being in dollars, sterling, or local currency, depending on what is worked out. The Acting Secretary pointed out the problem is always the same since we have to wait and see if DLF will get the funds it requested. More would be known about DLF's status, he mentioned, by August. The Acting Secretary then referred to world-wide demands for DLF funds.

Referring to the Volta River Project, the Acting Secretary said it is too big for DLF alone and the question what would be a reasonable amount DLF could furnish would depend on what Ghana is able to get from other sources. No one, he said, wants to make financing available until Ghana has the other half of the chicken or the egg.

The Acting Secretary said he did not think anyone in Washington had fully realized why Ghana was so anxious to obtain some idea as to the terms of financing. In order to get the Volta River Project off dead center he indicated the United States would be perfectly willing to explore with the World Bank the possibilities of their financing a portion of the hydroelectric project and also to talk with Kaiser and to see where they were going. Once this is done he believed Ghana would be in a position to seek help and assistance from the World Bank in determining an approximate rate to be charged for power. If the World Bank estimated rate for power should turn out to be too high, Ghana he said would then have to see what grants or assistance it might obtain from the Commonwealth or other sources.

The Acting Secretary in concluding the conversation mentioned again that the United States Government could make no commitment as to what "it could put up" until Congress votes on FY 1960 appropriations. In the meantime he suggested that, after Ghana had talked to the World Bank, that perhaps it should talk to Kaiser about what Kaiser believed the cost of power to the aluminum company would have to be.

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Ambassador Chapman thanked the Acting Secretary for his interest and support, and stated he felt today's conversation meant some progress.

The Ambassador indicated he would like to have someone in the Department with whom his Embassy could be in daily contact with regard to the Volta Project. It was indicated the Embassy should contact the Office of Middle and Southern African Affairs.

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